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Memorandum for:

1 June 1987

Please find attached updated versions of our spreadsheets on the positions on the Summit countries on Summit economic and political issues. The date of the update was 5/20/87.

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Chief, Western Europe Division
Office of European Analysis



E U R A
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Directorate of Intelligence

*Voice
Summit
1 Jan 87*

Venice Summit Economic Positions

	Japan	West Germany	France	United Kingdom	Italy	Canada	European Community
Macroeconomic policy coordination	Finance Ministry opposes macroeconomic policy coordination to stabilize exchange rates. Accepts the use of indicators—except interest rates—to monitor economic policy and progress, but not as economic policy changes. Other Japanese officials believe more expansive policies are needed to halt yen's rise.	Not inclined to alter its domestic policies for the sake of international cooperation. Has agreed to strengthen the indicator process, but rejects efforts tying changes in indicators to policy changes.	Leading proponent of greater policy coordination. Strongly supports use of indicators. Has agreed to strengthen the indicator process, but rejects efforts tying changes in indicators to policy changes.	Believes more policy coordination is necessary, but reluctant to use indicators to mandate policy changes. Agrees that Tokyo and Bonn should stimulate their economies.	Concerned about imbalances but will let other summits take the initiative. Wants West Germany and Japan to pursue expansionary measures, but will be restrained to avoid criticism about their own economic imbalances.	Not a major issue for Ottawa. Has not yet clarified views on use of indicators, but has publicly stressed the need to coordinate policies.	Is likely to call for greater economic policy coordination and expansionary policies. Japan and West Germany may argue for increased investment spending on infrastructure and private investment in Europe and for labor to slow growth of real wages.
International monetary reform							
Agriculture—reform and trade	Recognizes disparity between high domestic and low world prices, but faces no agreed policies. Japan's actions have increased free market out of the question, but may be willing to gradually phase out some existing quotas and offer the United States a larger beef import quota.	Under the gun from farm bloc. Bonn deeply suspicious of US moves in agricultural trade. Willing to admit system of import controls to EC agricultural reform. May agree more rational policies necessary, but unlikely to offer concessions.	Argues for flexible system based on the creation of reference points for the world price of currencies. Mitterrand may stress dangers of unilateral efforts to influence currency markets and to argue the importance of multilateral currency cooperation.	Chancellor Lawson believes more reliance should be put on interest rates, rather than intervention, to control exchange markets. Not in favor of target zones.	Will press for a more stable monetary system. Advocates creation of interest rate target zones based on a single-zone ECU alignment. Is likely to resist any measure limiting its monetary sovereignty.	Supports exchange rate stability, but non-committal about target zones. Finance Minister has avoided making any public commitment to joint official intervention.	Top priority is to prevent a further decline in the dollar, ensure EMS stability. Will advocate close cooperation on the exchange rate. May call on the United States to do more by cutting budget deficit and adopting more restrictive monetary policy.
Third World debt	Tokyo doing little to improve image as responsible economic power. Encouraging Japanese banks to lend more money to troubled LDCs. Banks have already set up offshore company to buy discounted loans.	Views Baker Plan as a failure but has no new solutions to offer. Opposes debt relief alone but favors new loans to LDCs for certain categories of debt. May urge summit leaders to give banks more generous tax writeoffs for bad loans.	Debt emerging as a major concern. China worried that economic turmoil in Third World will spill into Soviet lands.	Supports Baker Plan but favors more flexibility in its implementation. Lawson has proposed relieving interest African debts by converting some loans in terms of stretching out maturities of others, and introducing concessional interest rates.	Proactive of EC policies, but as a major agricultural importer more willing to discuss issue than Paris or Bonn. Is likely to argue that problem is surpluses not export subsidies, and that the EC has moved to get these under control.	Continues to support Baker Plan. Favors expanding IMF lending, large IDA repayment.	Debtors generally supports agricultural reform, but are less inclined to do so for other states. Has endorsed OECD calls for gradual and balanced subsidy reductions. Is likely to join an appeal for protectionist measures, but will insist that CAP will bear the brunt of criticism.
New round and international trade	Goal will be to deflect criticism. Supports Uruguay Round expansion, but resisted international property and services. Still clarifying position on investment.	Concerned other Summit countries—especially the United States—backing away from free trade and alarmed by possibility of US-Japan trade war. Annoyed by US machine tool decision.	Aside from misgivings about agriculture, enthusiastic about GATT Round, particularly discussions on services. Feels more important protectionism in the United States. Is likely to take especially tough line on Japan.	Pleased with progress in Uruguay Round. Hoping to focus on fundamental reforms in trading system rather than on bilateral issues.	Committed to Uruguay Round, while protecting agriculture trade. Along with the United States, primary concern, besides agriculture, is liberalizing trade in natural resources and commodities. Shares some concerns of LDCs about protectionism in industrialized countries.		Debtors will focus on Community's trade deficit with Japan, urge Tokyo to promote imports, and restrain exports. Is likely to support statement calling for early progress in Uruguay Round as long as agriculture policies aimed at expanding developing country growth.

Venice Summit Political Positions

	Japan	West Germany	France	United Kingdom	Italy	Canada	European Community
East-West relations	Sees a substantive change in Soviet policy toward Japan. Favors strongly a coordinated Western initiative toward Moscow.	Relations with Moscow improving. Urging positive Western response to Gorbachev's domestic and arms control initiatives. Concerned about implications of Gorbachev's policy for Eastern Europe and will want to discuss. Favors expansion of East-West trade.	Skeptical of Gorbachev's internal reforms; suspects effort to delude Western public opinion. Tensions with Moscow heightened because of Soviet espionage in France.	Taking wait-and-see attitude toward Gorbachev's domestic reforms but willing to expand trade with Moscow. Thinks heretofore herself the Summit leader most informed on Soviet developments.	Impressed by Gorbachev's reforms but believes he is seeking efficiency, not openness. Sees opportunity to improve negative trade balance with Soviet Union.	Has praised Soviet domestic reforms and resumed cultural and scientific contacts broken off after Afghanistan invasion. Wants to expand East-West trade. Still calling for action for human rights improvements in Eastern Bloc.	Cautious in assessing Gorbachev's domestic reforms. Negotiating with CEMA on mutual diplomatic recognition.
Arms control	Supports European zero option on INF and SRINF as step toward elimination of Soviet missiles in Far East. May seek explicit acknowledgement of American right to inspect in Soviet documents. Fears a broader interpretation of ABM Treaty could provoke domestic objections to participation in SDI.	Favors zero option on INF.	Fears INF would decouple the United States from West European security; wants linkage to Soviet concessions on conventional forces. Favors strongly option of Soviet zero option on SRINF as step toward denuclearized Europe. Concerned about possible broad interpretation of ABM Treaty. Wants new conventional talks to be tied to CSCE. Opposes MBFR in principle and does not participate.	More willing than other European leaders to consider interpretation of ABM Treaty but wary of SDI deployment. Wants to maintain MBFR until clear that new talks will address the conventional imbalances in Central Europe.	Lending in favor of zero option proposals for INF and SRINF despite concern about Soviet conventional and tactical nuclear superiority. Might recommend participation in SDI research if the United States adopts broad interpretation of ABM Treaty.	Supports zero option on INF but worried about split within Alliance over short-range INF. Favors SDI as long as research conducted within limits of strict interpretation of ABM Treaty.	EC leaders have discussed and generally support zero option on INF, but formal "EC" position unlikely.
Terrorism	Is likely to balk at tough counterterrorism initiatives and would probably oppose naming specific sponsors, such as Syria or Libya.	Generally favors strong counter terrorist policies and would support strong Summit declaration on the issue.	Only complimentary toward state sponsors of terrorism. Would probably accept Summit statement against terrorism if it did not accuse specific governments.	Will support strong Summit statement condemning terrorism and its sponsors. Doubts that further sanctions are needed against state sponsors of terrorism. Concerned about "split" among major nations in dealings with terrorists.	Will support strong Summit statement calling for more technical cooperation on counterterrorism. Would balk at naming specific state sponsors of terrorism.	Has supported US and UK sanctions against Libya and Syria. Would endorse strong Summit statement on terrorism.	Favors increased multilateral cooperation, exchange of information, and stricter border controls.
South Africa	A low-priority issue for Tokyo. Prepared to support strong declaration against apartheid at Summit.	Condemns apartheid but rejects stronger sanctions. Favors aid and training to South African nationalists.	Opposes stronger sanctions. Strengthening ties to Frontline States. Would support Summit declaration against apartheid.	Strongly opposes tougher sanctions. May suggest "positive sanctions" in form of aid to South African blacks and neighboring countries. Doubts that firm statement against apartheid would have intended impact.	Has gone along with limited EC sanctions but fears tougher actions would threaten strategic materials supply. Would support Summit statement against apartheid.	Has strongly condemned apartheid and imposed limited economic sanctions. May try to toughen any Summit statement on South Africa, suggest creating a high-level Summit-Seven body to monitor South Africa.	Further economic sanctions unlikely. Urging closer ties to Frontline States. Budgetary constraints preclude large-scale aid to Frontline States.
Middle East	Favors international recognition of PLO. Supports international peace conference on Arab-Israeli dispute.	Favors international peace conference on Arab-Israeli conflict, but is skeptical of its chances for success. Considering increasing arms sales to Saudi Arabia.	Supports international peace conference including representatives of PLO. Has cultivated relations with Syria and Iran to help win release of hostages in Lebanon.	Favors international peace conference but wants to keep Syrian role small for time being. Stresses Jordan's role in possible West Bank federation.	Favors international peace conference but unlikely to press most controversial initiatives at Summit. Political leadership divided over desired role for PLO.	May close relations with Israel and Egypt. Would support international peace conference if acceptable to Israel.	Probably will urge other Summit participants to support international peace conference on Arab-Israeli conflict.
Iran-Iraq	Leans toward Iran, although ostensibly neutral in Gulf war. Exports only dual-use material to the warring states and favors negotiated settlement.	Supports EC's calls for immediate ceasefire and negotiated settlement. Government prohibits arms sales to belligerents, although smuggled West German arms may have reached both Iran and Iraq.	Fundamentally pro-Iraq. Sells arms to Iraq. Also trying to normalize relations with Iran, so far without success, in hopes of speeding hostages' release.	Claims to be "scrupulously neutral" in war. Will nonetheless resist attempts to halt nonlethal arms sales to Iran. May suggest Summit statement on need to protect Gulf shipping.	Publicly neutral but leans toward Iraq. Fears Iranian victory and would encourage Iranian hardline fundamentalists. Trying to block private Italian arms shipments to both sides.	Neutral in Gulf war. Has attempted strict prohibition on export of war materiel to either side.	Officially neutral in war. Anxious about escalation, awaiting UN peace initiative.

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